

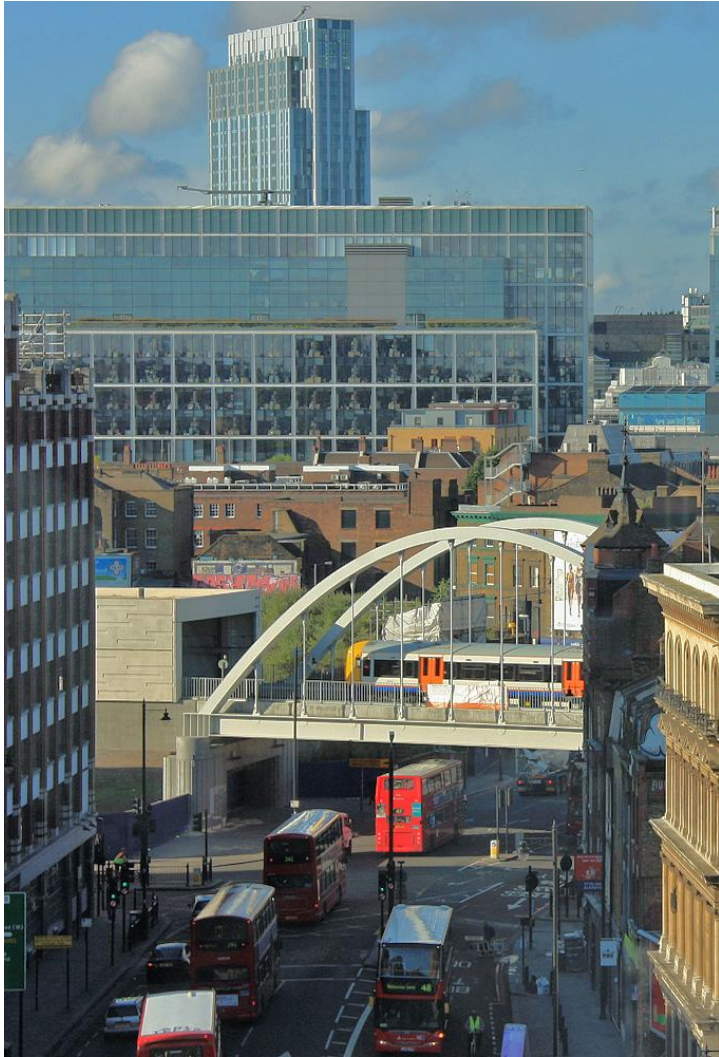
# **Funding & Finance for State of Good Repair in European Transit Systems**



FTA 2<sup>nd</sup> SGR Roundtable  
Chicago, July 23, 2010

Glen Tepke, Metropolitan  
Transportation Commission  
Oakland, California

# Study Mission Questions



**How is the public transport system funded? What types of non-fare revenues do you have?**

**Who sets fares and pricing policies?**

**How do you build your capital/maintenance budget?**

**How has the current economic situation affected operations and maintenance?**

# Study Mission Questions

How do you address the gap between reinvestment needs and available funding?

How do you overcome cycles of underinvestment?

What types of financing tools do you use?

What is your experience with public-private partnerships?





# Funding & finance take-aways



Funding for SGR a universal challenge - everyone has backlogs or shortfalls

Wide variety of funding sources and structures resulting from local/regional initiatives

Varying roles for national government - including very limited roles

Mixed results from privatization - including failure

# Funding for SGR a universal challenge

## London Underground

- ▶ History of start & stop funding - £1.5B SGR backlog

## Strasbourg CTS

- ▶ Extensive tram system reaching mid-life, starting to face SGR issues



## Nottinghamshire Transport

- ▶ Economic downturn and change in national government - loss of expected funding for station rehab

# Funding for SGR a universal challenge

## Oslo KTP

- Focus on expansion in toll revenue plan required second toll increase for maintenance

## Berlin BVG

- Major investments to upgrade East Berlin equipment to western standards after reunification compete with SGR needs





# Varied funding sources & structures

## Strasbourg CTS

- ▶ Employer tax major source for operations, maintenance, expansion
- ▶ Rates 1.0-2.6% of payroll
- ▶ Started as pilot in Paris, expanded to most large to medium-sized cities



# Varied funding sources & structures



## Transport for London

- ▶ Congestion management toll - £140M/year profit - 80% to bus operations & maintenance, 20% to green initiatives

## Oslo KTP

- ▶ Tolls on urban ring highway tied to packages of road and transit projects

## Nottinghamshire Transport

- ▶ Private bus operator costs for commuter service covered entirely by fares



# Varying roles for national government

## Transport for London

- ▶ Central government grant - £40B over 10 years - covers half of operating and capital
- ▶ But no ongoing funding programs for transit capital - competes for general funding



## Germany

- ▶ Cities and states provide most funding for SGR

# Varying roles for national government

## Oslo KTP

- ▶ Toll schemes regional initiative

## France

- ▶ Employer tax established and administered regionally
- ▶ Tax rate limited by national law but set by regional transportation authorities
- ▶ National government focuses on high-speed rail



# Mixed results from privatization

## London, Nottingham & Oslo

- ▶ Buses maintained by private operators - standards set in contracts



## Nottingham Express Transit

- ▶ New tram line with finance-design-build-operate-maintain PPP
- ▶ Private debt and equity covered 90% of capital costs
- ▶ Consortium sets fares, receives fare revenues and performance payments



# Mixed results from privatization

## London Underground

- ▶ Three PPP contracts with two private firms (Infracos) for maintenance /renewal of entire system 2002-03
- ▶ 30-year contracts, renewal options every 7.5 years
- ▶ Infracos receive fixed payments with bonuses or penalties for performance in improving reliability, capacity, travel time, cleanliness, quality
- ▶ Means of meeting performance targets up to Infracos



# Mixed results from privatization

## London Underground, continued

- ▶ Metronet bankrupt in 2007, bought and absorbed by Transport for London
- ▶ Tube Lines contract terminated at first renewal point - £2B apart on costs for second 7.5 years
- ▶ Infracos relied on change order process to recover costs
- ▶ Major costs for London Underground to take maintenance/renewal functions back in-house

